

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6788**

**BILL NUMBER:** HB 1183

**NOTE PREPARED:** Jan 25, 2008

**BILL AMENDED:** Jan 24, 2008

**SUBJECT:** Historic Rehabilitation Income Tax Credit.

**FIRST AUTHOR:** Rep. Dvorak

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** X GENERAL  
X DEDICATED  
FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill provides that the Historic Rehabilitation Income Tax Credit may be assigned. It provides that the credit may be recaptured from the person who receives the certification or from an assignee to whom the property is transferred. It replaces the current definition of "taxpayer" for purposes of the historic rehabilitation credit.

**Effective Date:** Upon passage; July 1, 2008.

**Explanation of State Expenditures:** *Department of State Revenue (DOR)* -The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes in the tax credit and tax deduction. The DOR's current level of resources should be sufficient to implement these changes. The January 25, 2008, state vacant position report indicates the DOR has 112 vacant full-time positions.

**Explanation of State Revenues:** (Revised ) *Summary-* The bill allows a taxpayer who is entitled to claim the Historic Rehabilitation Tax Credit to assign any portion of the credit to another taxpayer. This will allow for more timely use of the credits, which means the impact will be noticed sooner than if the credit was not able to be assigned.

According to the Department of Natural Resources (DNR), the number of projects approved for credits in recent years totaled: (1) 8 in 2005; (2) 10 in 2006; and (3) 8 in 2007. In each of these years, the \$450,000 aggregate credit limit was reached. Currently, tax credits to the annual aggregate credit limit have been certified each year through FY 2018. This translates into approximately \$5.40 M in tax credits to be claimed against future tax liabilities. The DNR reports that until 1999 the overall value of credit applications has been 3:1, or \$1.35 M, in regard to the available credits allocated annually whereas most recently this ratio has been

1:1, or \$450,000.

**Background-** Current statute provides for a nonrefundable AGI Tax credit for individual and corporate taxpayers equal to 20% of the historic preservation or rehabilitation expenditures made by the taxpayer. The expenditures must exceed \$10,000 and must be certified by the DNR. Current statute prohibits the aggregate amount of credits claimed by taxpayers during a fiscal year from exceeding \$450,000. The tax credit is nonrefundable, but excess credits may be carried forward for 15 years. The tax credit may not be carried back.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** (Revised) If the ability to assign these credits encourages more investments, the communities in which these buildings are located may realize an increase in the assessed value of property and eventually lower the property tax rates in these areas.

**State Agencies Affected:** Department of State Revenue; Department of Natural Resources.

**Local Agencies Affected:** All.

**Information Sources:** David Duvall, Division of Historic Preservation and Archeology, Department of Natural Resources, 317-232-1635.

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